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ABSTRACT

Competition among the many public services for tax supported funding is a major concern for metropolitan public libraries seeking financial support. The absence of the library is an integrated component of the public educational structure or as a general service agency in the mainstream of government has historically placed the library at a disadvantage. Problems in library financing are interwoven through the fabric of issues fundamental to U.S. economic and political life and cannot be solved without understanding their complexities. Growth of government at all levels with its attendant priority conflicts and variations in fund disbursement is a basic consideration. The social and economic growth patterns of metropolitan areas as opposed to their actual legal tax raising boundaries are a critical factor. The form of taxation, whether progressive or regressive, further complicates proposed funding arrangements. Libraries are presently undecided upon fixed tax support or support by appropriation with their differing and often opposed advantages. Careful examination of each library's role and future direction in the community and its local relation to the tax structure must be considered before defining financing objectives for the 1980s and beyond. The time for formulating these objectives is now. (A 62-item bibliography is attached.) (RAA)

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METROPOLITAN PUBLIC LIBRARY FUNDING AND INTERGOVERNMENTAL FISCAL RELATIONS: CONCEPTS AND ISSUES

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INTRODUCTION

Late in 1977 when the body of this paper was written, the fiscal climate for libraries was troubled and unstable. For years we had read about the problems of the big city libraries (New York, Cleveland, San Francisco, etc.), and the constant clamor of rural libraries for more funds, was familiar to us. In the affluent suburbs where support for libraries seemed secure, the growing plight of the cities and rural areas seemed distant. Although taxpayer discontent was growing few of us anticipated any sudden changes in the prevailing situation. We began to hear of "Tax revolt" and "Tax revolution", but these seemed to be buzz words cooked up by an overly enthusiastic press. In short, the level of fiscal calamity had grown too slowly to be taken seriously. Consequently, California's enactment of Proposition 13 seemed to burst upon us and the profession as a whole was woefully unprepared to understand its effects.

Since then, articles in professional journals have described the impact of the Jarvis/Gann Initiative and have forecasted similar legislation in other states. These accounts imply that problems in financing public libraries are due to the "taxpayer revolution" or to the political ambitions of a few maverick legislators. Unfortunately, it's not that simple.

Problems in public library finance are interwoven into a fabric of issues fundamental to U.S. economic and political life. The problems cannot be solved without understanding their complexity. The thoughts of major writers in the field are assembled here to provide an overview of the important current concepts and issues relevant to understanding public library financing. The paper first treats issues in public library financing, then it turns to issues of intergovernmental relations and provision of services to the public. A selected bibliography concludes the paper.

FINANCING PUBLIC LIBRARIES

History of Federal Aids to Libraries

The earliest serious recognition of public libraries by the federal government came in 1876 with the publication by the U.S. Bureau of Education of Public Libraries in the United States of America: Their History, Condition and Management (26:372). But federal aid did not begin until 80 years later, and only then after the tireless work of many librarians and citizens. By 1930, Andrew Carnegie--who contributed significantly to the greatest expansion the library world had ever seen (5:20)--had been dead 11 years; public library service inadequacies were becoming clear; and some librarians had begun to believe that limited federal aid might be possible (21:8).

Despite growing interest, librarians were not uniform in their support of federal aid even though library expenditures had dropped significantly during the Depression and had reached their lowest in 1933 and 1934 (54:23). At the ALA Denver Conference in 1935 the federal aid issue emerged and a battle ensued. Many librarians opposed the aid either because their interests did not extend beyond their own libraries (25:24) or because they were worried that federal aid would mean federal control (28:720). By 1939, most librarians and ALA as an organization had come to realize that the federal government might help to extend library services where localities were unable, but WW II halted further serious consideration of such aid until 1946 (5:35).

Strategy sessions, however, continued throughout the war years. In 1944 Carl Milam (then Executive Secretary of ALA) and others met to discuss possible federal aid. They agreed that Congress should first be

approached for rural aid because (1) rural areas had the greatest needs, (2) it was the most favorable political opening, (3) it would show striking results, and (4) it would sidestep direct competition with the National Education Association which was also approaching Congress for federal aid (5:39).

The bill was written and introduced on March 12, 1946 as the "Public Library Demonstration Bill". It was changed to the "Library Services Bill" in 1951. Passage was neither swift nor easy. In all, the bill was introduced in five Congresses (the 79th, 80th, 81st, 82nd, and 83rd) before being favorably acted on in the 84th (5:41-46).

The Library Services Act in 1956 was the first of a series of essentially ad hoc components of federal library policy (19:239). Initially, this policy intended to aid approximately 300 rural counties with little or no public library services (21:9). LSA functioned as a demonstration program providing "seed money" to start services in rural areas whose support would be picked up by local libraries when their funding increased from local or state sources (24:148).

After 1956, each successive legislation extended and expanded the program's services and scope (47:47). James Fry's "LSA and LSCA, 1956-1973: A Legislative History" (21) is an especially good chronical and, since it is readily available, its contents won't be outlined here. LSA and, subsequently, LSCA have received generally favorable consideration from Congress, being repeatedly renewed throughout the years and most recently this year.

The benefits of federal aid since 1956 have significantly exceeded actual appropriations by stimulating increased local and state aid as well (47:1). Between 1956 and 1964, these increases ranged from 99% in the Southeast United States to 156% in the North Atlantic region (46:4).

Increased funding achieved marked improvement in public library services:

1. Substantial improvement of state library agencies (29:40).
2. Increased services and materials for more people.
3. Improved services for the disadvantaged in urban and rural areas (52:8-9 for 2 & 3).
4. Increased importance of bookmobile services in state library development plans (5:165).
5. Urban library improvement. Inclusion of urban libraries in LSCA resulted in (a) improved services in disadvantaged neighborhoods, (b) extension of high-quality services to suburban areas, and (c) strengthening of urban collections used as regional or state resources (46:71).

Under LSA and LSCA the states were made responsible for administering and distributing federal funds. Some states used funds for ad hoc projects while others merely distributed them to local libraries using formulas. These variant uses depended upon whether LSCA funds were considered continuing essential funds or as tentative, temporary resources (11:317). Moreover, some states interpreted LSCA to give them broad discretion in retaining funds at the state level rather than distributing it to localities at all. Retention at the state level tended to limit achievement of the legislative goals of helping disadvantaged rural and urban libraries (52:ii).

Other federal support programs with impact on libraries should be mentioned:

1. Elementary and Secondary Education Act of 1965: This act has six titles, all of which have some implications for school libraries. Title II is especially important: it provides a program of grants

to states for library materials.

2. Higher Education Act of 1965: Several titles related to academic libraries but title II is especially vital: Part A provides grants for library materials and binding; Part B provides for training in librarianship and information science; Part C provides for worldwide acquisition of materials for the Library of Congress.
3. Medical Library Assistance Act of 1965: It provides a broad program for improving and expanding library resources and facilities as well as establishing regional medical library networks (26:373 for 1-3).
4. General Revenue Sharing Act of 1972: This program, administered by the U.S. Treasury Department, allocates 1/3rd of funds to state governments and 2/3rds to local governments. State and local governments can determine spending patterns within eight broad categories, one of which includes libraries (27:194).
5. Comprehensive Employment and Training Act of 1973: To avoid the confusion and inefficiency of earlier federal labor programs, CETA provides block grants to state and local governments who plan and operate their programs. Libraries frequently benefit (38:17).
6. National Endowment for the Arts and Humanities: Although not specifically directed at libraries, library projects are frequently funded by grants from this program (31:177).

One can unequivically conclude that federal library support programs have aided library services nationwide both directly and by stimulating local support (52:i). It is not clear, however, that federal and state objectives, as contrasted from purely local objectives, have been achieved. Ralph Blasingame cogently observes "If the time arrives when we have to say what state or federal goals have been gained through their appropriations,

we may be faced with a probe sharp enough to reveal our failure to reach an increasing share of the population" (16:2073). Of course, state and federal goals have never been all together clear. The establishment in 1970 of the National Commission on Libraries and Information Science (NCLIS) and its publication in 1975 of a national program for library and information services promise increasing clarity. In the future, library agencies at all levels of government may have to heed Mr. Blasingame's warning.

Public Library Funding Patterns

In the United States, public libraries are ubiquitous phenomena. In 1975, 1,100 to 1,200 public libraries were estimated to serve approximately 125 million people in cities exceeding 25,000 people and--in the country's communities under 20,000 people as many as 7000 libraries have been established (47:1). Despite their ubiquity, libraries command just 1/9th the municipal resources expended for police protection, 1/5th of those expended for fire protection and sewage, 1/4th of that for parks, and scarcely 1/12th of that for education (48:9).

In 1971-72, per capita public library expenditures ranged from a low of $1.58 in Alabama to a high of $7.76 in Massachusetts (47:2) and there's evidence that per capita support has been growing during the last few decades (23:47). The primary source for this increased support is local taxes, rather than endowments, fines or fees (33:63). In a later section of this review, we will see the adverse impact of this source on municipal budgets and the disproportionate burden carried by the core city for these and other services.

Naturally local governments have attempted to gain support for libraries

from other governmental levels, notably state government. To some extent, these efforts have been rewarded. In 1956, Roger McDonough reported that, in the wake of LSA, state grants to public libraries had become increasingly larger parts of total funds (29:42). Recent reports, however, estimate state support at just 11.7% of total funds while state support for local school systems is approximately 40%. At the federal level, grants to libraries and schools are comparable, 7.4% and 8.0% respectively. Contributions at the local level more clearly demonstrate the disparity in school and library financing. Localities (largely from property taxes) provide 52% of school financing and about 81% of public library financing (47:2). It is clear from this data that, although a larger proportion of a local government expenditure goes to education, these efforts are heavily supported by state government, while libraries must swing with the fortunes of the non-educational expenditures of local governments. Because municipalities provide the bulk of local financing and they derive 1/3rd of their financing from non-property tax sources such as fees and charges, a significant percentage of public library funding relies upon these sources as well (47:32).

Besides seeking additional support at higher levels of government, libraries avoid the fragmented financing inherent in municipal and special district systems by widening their base of support to cover a county or region (47:48). In these cases, several local libraries organize as federated or cooperative systems. Generally, suburbanites favor these creations to avoid paying special fees to use the city libraries (23:52). Evidence suggests that state governments, especially since the inception of LSA, also encourage system development by providing incentives for local participation (9:219). This support is essential. Systems do not

attract all communities equally; consequently some communities benefit without contributing their fair share unless local effort is mandated (9:247).

Financing library systems is somewhat different than financing local libraries. Although municipal governments continue to provide an important source of funds, county governments generally are the major sources of system funds, followed by state governments (9:30,31, 69). In recent years, the federal government is the fastest growing second form of support (9:69). Special district taxes and contract payments have also assumed greater importance in recent years, contributing to the growing diversity in funding sources for systems (9:67).

Although both state and federal aid to libraries have grown in the past few decades, many librarians feel that it is insufficient. Alex Ladenson, for example, feels that federal aid should be more than doubled to amount to 20% of the costs of operating libraries in the U.S. He further recommends that the aid be provided through appropriate state agencies so that the funds can be coordinated with state aid programs to achieve a closer approximation of federal-state-local partnership (26:374). In any case, there is the recognition that just as local libraries need state funds to make better programing possible, most state libraries need federal funds to implement their plans (22:2080 and 2093).

Funding Issues

The history of federal aids and the current pattern of funding for public libraries cannot be understood without understanding some of their underlying issues. In the following pages, each major issue will be discussed briefly.

1. Public Library Insignificance

Readers in library literature are frequently reminded that, relative to other areas of public expenditure, library financing is insignificant (e.g. 33:63, 8:227, and 7:137). In 1950, Robert Leigh produced one of the more compelling arguments for ignoring the apparent insignificance of public libraries. He suggests that although libraries may be fiscally insignificant they are not socially insignificant. The low cost of libraries is due to their being a very economical "social contrivance" for extending community access to thousands of books at a per capita cost of no more than the price of a single book (7:139). Even social significance, however, is relative in the legislative arena where library programs --regardless of size--are minor compared to tax or civil rights legislation (28:721). Pleading insignificance as Rodney Lane points out "is neither a precise nor persuasive argument in the increasingly competitive battle for the public buck" (6:68).

2. Role Ambiguity

Largely due to traditional patterns of support relying upon philanthropy and local support, the public library "is neither an integrated component of the public educational scene, nor is it adequately considered as a general service agency in the mainstream of government" (47:5).

Categorical support from federal and state agencies in the past two decades have encouraged tremendous growth of library services with only a minimum of coordination with other government agencies. The emerging trend is to recognize that libraries are an integral part of all the social and physical services of government and must be judged in part along with the others (13:43). However, until integration is complete, broader consensus is required on the role and function of the public library in at

least the following areas:

1. Political acceptability and accountability.
2. Definition of the library within the social fabric rather than as an independent agency.
3. Relationship as an extension of local, state, and federal governments rather than as a quasi-government.
4. Organizational, functional and fiscal relationship to education (6:50 for 1-4)

3. Planning/Administration/Organization

The essential issues with regard to library planning are summarized succinctly by Kenneth Beasley in two separate articles:

1. Comprehensive planning was initiated to coordinate various programs initiated by categorical aid programs; but its success was limited. Beasley suggests that the complexity of urban life reflected in these programs cannot be simplified by the mere use of an administrative device (13:17).
2. Planning has become directly involved in the political process. Federal funding to support planning is offered to local areas only with predetermined values and criteria (14:187).

The administrative structure of public libraries within the U.S. also may affect the type and strength of library funding. Among major issues are the following:

1. Are state library agencies more effective as administrative units or as service providers to the state capitol.
2. Is the use of administrative boards or commissions effective?
3. Is legislation that "permits" local action more effective than "mandated" legislation?

4. Are regional library networks truly administratively and fiscally viable or have the compromises required to create them irrevocably weakened them (6:57-66 for 1-4).

Organizationally, the major issue appears to be that public libraries, for the most part, are not as developed as other social institutions in the U.S. They remain semi-independent local service agencies and systems, only loosely coordinated with other libraries. This organizational pattern is a liability when attempting to secure stable, adequate financial support (47:v-vi). Cooperative programs, where they appear, are marginal for two reasons:

1. The programs assume that all material retains its original ownership.
2. The programs assume that each type of library has an identifiable clientele so that it warrants separate development and requires interaction with other libraries only in selected areas (14:190).

The best source for examining the current status of cooperation among libraries within states is The ASLA Report on Interlibrary Cooperation (1). It is limited by its failure to include the level of costs borne by localities and to provide summaries and compilations.

4. Budgeting

The major issue relevant to budgeting is that the budgeting methodology may have an affect on library financing as great as degenerating revenues or soaring costs. Some writers point out that libraries making the best use of budgetary controls can make a better, more persuasive case for funds (e.g. 9:219 or 6:77). Another writer suggests the need for sounder statistical support to justify requested funds, particularly at the federal level (18:1968). Examples of current statistics reported to the federal government can be found in the HEW publication Statistics of Public Libraries (51).

While these writers call for better, tighter controls, some authors perceive subtile dangers in more stringent budgeting. Ralph Blasingame, for instance, points out that program budgeting and performance budgeting encourage programs which result in predictable evidence of use and discourage experimental programs, which frequently are aimed at the disadvantaged (16:2075).

5. Performance Data

There's very little consensus in the literature with respect to what constitutes meaningful and reliable performance data. Nationally reported data, such as "volumes in the collection", "volumes added", "volumes circulated" and "per capita circulation", focus on output measures. Some writers emphasize input data but disagree on which to use. For example, Hannis Smith prefers to use per capita level of support over the mill levy because it's a more reliable gauge of public library support (34:273). Eastlick, on the other hand, grants its value as a measure of local effort but points out that per capita expenditure is not a good measure of library efficiency or effectiveness (17:218).

There have been several serious attempts to link library expenditures to a measure of library performance, but with apparently conflicting results. One researcher tested the correlation between per capita expenditure and variations in effectiveness (in terms of the number of library registrants)--no significant correlation (55). Another studied the relationship between per capita expenditure and effectiveness (in terms of circulation)--a high positive correlation (53). Yet another researcher found a positive correlation between expenditures for library materials and circulation (54:40). It seems clear that, until some consensus is reached on what constitutes reliable performance data, funding requests

may risk alternate interpretations of its data.

6. Competition for Public Funds

In a careful and very thorough piece of research, Robert Deily discovered that library expenditures varied with both municipal economic ability and municipal expenditure. He also noted that library expenditures varied much more widely than either school or total expenditures (53:141,142,164). Some writers suggest that wider variation in library expenditures is due to the lack of coordination between the library and other municipal services (7:68) or to the library community's tradition of extending fragmented services out to people rather than strenthening community service centrally (30:7). Eastlick points out that all metropolitan services are suffering from growing demand, inflation, and obsolescence and that libraries are not competitive with these services because (1) they are not recognized as the link between data sources and user needs and (2) they have not developed political power to influence legislatures (17:214-215).

Competition for public funds will increase. Although some form of categorical aid will probably continue, general revenue sharing funds--despite objections that libraries can't compete with police and other local needs--will become a major source for non-local library financing. Competition for these funds will be even higher since the priority previously given to libraries was written out of the legislation (31:177). Not only will libraries have to compete with municipal services such as police and fire prevention, but they will be considered a competitor for the education dollar (13:21). In general, as Blasingame suggests, societal problems (e.g. library support) which are not today's highest priorities may be reduced in priority still further under increasing pressure of new problems such as environmental pollution or energy.

This would result in dwindling support for libraries and similar institutions, intensifying competition between them (15:255). Beasley concludes that libraries will be required to define precisely the function of library resources and the role of libraries in the total government structure in the same way that other governmental agencies must do to secure their support (13:19,23).

7. Legal Structures and Public Library Funding

The Advisory Commission on Intergovernmental Relations stresses the need to study governmental structure because it directly affects the nature and magnitude of fiscal disparities among jurisdictions (42:58). Smith suggests the study of government because many of libraries' legal difficulties derive from a failure to understand how governmental systems affect libraries (34:276).

Laws at the state level are the most important for public libraries. State authority establishes public libraries and defines the powers of library boards (34:270,272). State library laws governing financial support are generally inflexible, usually limiting revenue generation to a specific mill rate (34:273). But state law alone is now inadequate. Because large urban areas spill over state lines, intergovernmental cooperation on the local level must be possible interstate (35:233). Consequently, in recent years there's been widespread adoption of uniform statutes regarding interstate library compacts which generally follow the Council of State Governments model (34:275).

Despite the importance of state laws to libraries, much of the legislation applying to libraries doesn't appear in library law at all:

1. An increasing amount of administrative rules and regulations with the force of law now apply to libraries (34:269).

2. Laws governing the issuance of bonds for construction of public buildings generally don't appear in library law (34:276).
3. Joint exercise of power statutes apply to other governmental agencies as well as libraries and therefore do not appear in library law (34:276).
4. Other laws affecting libraries are in codes covering administrative procedures, contracting powers of governmental units, fiscal and auditing procedures, general home rule provisions, public insurance, tenure and retirement, and criminal code to protection of property (34:277).
5. The legal basis for public libraries frequently rests in strictly local, city or county charter or are organized under state laws governing non-profit corporations (34270).

State law makes multi-county or regional library systems possible. It provides the legal authority of counties, parts of counties, or individual libraries to contract with one another to form regions or special districts (9:18). These powers are flexible and enable contracting arrangements between public libraries or between public libraries and other types of libraries. Contracts between libraries have been used to extend services into unserved areas and to diversify the member strength of a group of libraries (9:217).

Summary of the Issues

Generally, the history and pattern of funding for public libraries has been determined by the failure to resolve or define an effective strategy to combat the adverse effects of the issues described above. In the absence of clear significance and a well defined role within government, administrative, budgeting, performance, and legal problems will persist.

INTERGOVERNMENTAL FISCAL RELATIONS

This section of the review explores the issues surrounding the distribution of costs and the variety of ways different governmental jurisdictions raise the revenue necessary to meet those costs. It will first proceed with a brief discussion of the growth of the American economy and the growing role of government, particularly at the federal level. Then it will discuss issues of federalism, metropolitan areas, and taxation. The intergovernmental distribution of costs and revenue is critical to understanding what deters further advancement of libraries in the United States.

Growing Role of Government

From 1920 to 1970 the United States' Gross National Product (GNP) quadrupled from $140 billion to $727 billion, giving the U.S. one of the highest standards of living in the world (4:468). Education played a major role in this phenomenal growth. Fite and Reese cite a study by E.F. Denison of GNP growth from 1929-1957 in which 23% of the growth was due to education, 20% to advances in knowledge, 15% to more capital equipment, and 34% to increases in the size of the labor force (4:475). Naturally, for education to make such a contribution it required considerable governmental support, which--of course--it received.

Between 1920 and 1970, major governmental increases were in three areas: education, highways and public welfare (4:479). Huge investments in these areas and changing expectations for government contributed to the growing role of government in the U.S. economy. In 1929, government purchases amounted to only half of private investment, approximately 8.2% of GNP; by 1970, government investment rose to 22.4% and exceeded

total private investment (4:478). During the Depression, expectations for government changed drastically from limited provision of non-defense services to major involvement in welfare and business (e.g. TVA). Consequently, governmental expenditures rose dramatically. Only in one year of the ten between 1929 and 1939 did private investment equal or exceed government purchases (4:534). During the war years following the Depression, huge government spending continued (35% on GNP in 1943) but shifted to war production (4:541). It is no surprise, then, that the most important development of the years following the war was the growing dependence of the economy on government spending (4:585), which now employs 18% of the non-agricultural workers in the United States (4:477).

The state-local portion of government spending has grown faster than federal government spending since 1954. Employment in the state-local sector has increased 125% since 1955, compared to just 19% in the federal sector and 39% in the private sector (38:4). Total state-local expenditures have grown at roughly twice the rate of federal expenditures during this period (38:1).

The importance of government's role in the American economy is undeniable. As the stake in government grows, concern over the rights and obligations of its different levels also increases. Traditional patterns of federalism are being tested as federal, state, and local governments struggle to meet public demands for service; metropolitan areas struggle to resolve conflicts between local political jurisdictions; and increasing taxes (from $68 per capita in 1922 to $1,348 in 1970 (4:478)) intensify the debate between levels of government over rights to revenue sources. The review now turns to these issues.

Federalism

Federalism relates to the problem of determining at what level of government should public goods be provided. Public goods are transacted in the public sector and provide societal benefits as well as individual benefits (47:7). The principal characteristic that distinguishes public, or collective, goods from private goods is that if any person in a group consumes a public good, it cannot be feasibly withheld from others in the group (10:14-15). This characteristic links the concept of collective goods to that of federalism, or the division of the costs of providing public goods among levels of government.

If an individual values a collective good highly enough to provide it for himself, others in the group have no incentive to help provide it. This results in two things: (1) the individual provides just enough to meet his needs, not the optimal amount for the group, and (2) the individual will pay a disproportionate share of the good's cost (10:28-29).

This concept particularly applies to metropolitan areas. It suggests that neighboring local governments in a metropolitan area would tend to provide inadequate amounts of a collective good (e.g. roads) and that the largest local government, i.e. the central city, would bear a disproportionate share of the costs of providing the good (10:36). Recognizing this potential for disparity, economic theorists see fiscal federalism, i.e. federal-state-local finances, in a framework in which financial responsibility is allocated according to the benefits that accrue to each jurisdiction. In practice, capturing benefit flows is difficult, particularly within metropolitan areas. Correcting disparities then becomes the role of the state and federal levels (37:64).

Several major issues related to fiscal federalism are discussed below:

1. Goal Conflicts

Philosophically, federalism recognizes social reality in the United States. The society is pluralistic rather than uniform: it is a nation of diverse regional and local attitudes and needs (41:3). The "New Federalism", as demonstrated by general revenue sharing, attempts to permit greater local discretion and flexibility in decision making (38:16). Nevertheless, federal objectives implicit in the budget submitted by the President and approved by Congress strongly influence the scope of decision. Quantitatively this "statement" of policy involves 20% of the GNP; qualitatively, it is defined by the proportions allocated to defense, social and educational aids, energy and the physical environment, etc. (19:241). Federalism, therefore, recognizes local rights to make decisions on one hand then attempts, on the other hand, to resolve the fiscal disparities that derive from this freedom.

In general, too little attention has been given to the impact of federal programs on state and local priorities and funding decisions (19:245-246). Because of heavy federal aid to state-local jurisdictions, any federal policy decision (e.g. cutting funds to fight inflation or increasing funds to fight recession) has major impact on state-local activities (38:3). For libraries in particular, the lack of firm and continuing commitment from the federal government has made long range planning impossible (35:235).

2. Federal Approaches to Funding:

Different views of fiscal federalism have given rise to different approaches to federal aid for localities. The traditional federalist

urges Congress to exercise great restraint when given a proposal to solve a problem exclusive to the states, believing that the federal government should not force every state to have the same priorities. The activist, on the other hand, believes that disparities between regions, states, and localities can only be resolved by direct and well aimed federal programs (40:126). As a consequence of these views, federal aid to states and localities displays characteristics of both.

During the 1960's the activist view of federalism prevailed and federal categorical aids limited to a single purpose proliferated. The following characteristics describe this growth:

1. Proliferation and excessive categorization.
2. Expansion of the use of project grants.
3. Increasing variety and inconsistency in matching ratios.
4. Multi-functional programs, cutting across "disciplines" and departments.
5. Trend to bypass states ("direct federalism") and local governments ("private federalism").
6. Growing emphasis on urban areas.
7. Multiplication and inconsistency of planning requirements.
8. Failure to rationalize federal field organization and to delegate significant grant authority to regional offices (42:260 for 1-8).

Growth in the use of categoricals was accompanied by a growth in criticisms of them. Among these are the following:

1. Categorical aids are valuable for experimental projects but deficient in the long run. Local tax funds cannot support these programs after federal support is withdrawn (26:374).
2. Narrow categorical grants administered by the federal government

encourage too much federal involvement.

3. Categorical grants don't meet classic objectives of federal aid--equalization, stimulation, demonstration and general support (41:5).
4. Localities confuse federal intentions, perceiving grants as federal underwriting of local projects rather than seed money.
5. Inadequate project funding is often disappointing.
6. Funding is frequently erratic, resulting in illogical and inefficient use of funds.
7. Funding is often late, causing panic or crash programs.
8. Excessive paperwork is required.
9. Excessive changes in report requirements are required.
10. Meaningless gestures, such as matching fund requirements which allow use of operating funds, are often part of the grant.
11. Federal regulations are inconsistently interpreted from one agency to another.
12. Relationships between federal and state governments are confused. (24:148-149 for 4-12).

Recognizing some of these problems and the difficulty that state-local governments experienced when trying to administer categoricals, Congress began to consolidate categorical grant programs into broadly guaged block grants (41:18). These grants gave more discretion to local governments.

Extending the concept of local control beyond the packaging of categorical grants into blocks, the Nixon administration promoted the concept of general revenue sharing. The administration argued that revenue sharing would simplify aids by automatically distributing a designated percentage of federal taxes according to clearly defined formulas in

federal law. Furthermore, it would include all general purpose local governments and would eliminate both restrictions on the use of funds and matching or maintenance effort requirements (24:152). Criticisms of revenue sharing, however, are plentiful:

1. Separation of taxing power from spending power is bad policy.
2. More effective federal-state-local structuring could solve present aid problems.
3. State and local needs do not require the revenue sharing alternative.
4. Revenue sharing assumes a surplus of funds above federal needs.
5. Federal revenue, in fact, is local funds; revenue sharing just redistributes them.
6. Pressure for more "no strings" funding will grow.
7. "No strings" funding will errode federal control.
8. Federal formulas cannot insure equity.
9. Reviewing, simplifying and revising categorical aid programs would be a better approach.
10. Local and state governments are at least as incompetant as the federal government (24:158-160 for 1-10).

Libraries in particular have been adversely affected by revenue sharing. Despite federal denials that revenue sharing was designed to replace categorical grants to libraries, impoundments and proposed cuts in 1974 were defended by pointing out that revenue sharing funds could be used to replace reduced categorical aids (47:45). Moreover, nationwide only about 1% of revenue sharing funds were used for libraries despite the fact that libraries were one of the groups designated in the law for priority treatment (32:41). Library criticisms to revenue sharing can be added to the above list:

1. Revenue sharing is insecure and volatile.
2. Because it is directed to individual cities and towns, revenue sharing eliminates cross jurisdictional support and may discourage cooperative projects (17:212 for 1-2).
3. The scale of support to libraries is inadequate.
4. Revenue funds merely substitute for funds previously derived from state and local sources (27:194, 288 for 3-4).

The Advisory Commission on Intergovernmental Relations recognizes the interdependency of all levels of government and points to the need for an integrated federal-state-local attack on economic problems rather than just a federal solution (38:4). Consequently, federal aid through any of the above programs alone or in combinations is inadequate. Combined action at all levels of government, however, requires an understanding of how revenue is generated at each level.

3. Effectiveness of Revenue Generation

For the most part, each level of government possesses a different mix of revenue sources. In general, most are clearly separated from one another so that not more than 1/6th of all tax collections overlap and most of this occurs in income tax (39:2). The strongest income producing taxes are held by the federal government. The state level is somewhat weaker and the local level is weakest and will probably become still weaker in the future (33:75).

The personal income tax is the major tax source at the federal level (39:1). Two factors give it special strength: it is progressive and it can be collected throughout the nation. This enables the federal government to collect taxes wherever the economy is strong and spend it wherever it is weak (33:77).

However, the state-local segment of the public sector has grown faster than the federal segment in the last 20 years. Aggregate state government revenue, for example, has doubled its share of federal-state-local revenue from 1/8th in 1952 to 1/4th in 1975 (44:3). Although state and local governments have traditionally depended on property taxes, consumer levies, and federal conditional grants (41:1), increased use of state income taxes have allowed state revenue to grow rapidly. But there's increased evidence that state-local revenue, stated as a percentage of GNP, may be nearing its turning point (45:1). For the most part state-local tax systems are just keeping even with economic growth while the costs of public services are soaring. This situation encourages greater intergovernmental involvement (39:5).

Dependence upon revenue from personal income tax, sales or property tax differs from level to level, and each form of revenue is affected differently by changes in economy (38:3). State tax systems are more sensitive to the economy than is the federal government tax system. In recession state revenues would deteriorate rapidly due to unemployment, which would reduce tax collections (47:42-43).

4. Aid Formulas

Once the need for intergovernmental financial action is recognized, the pattern of aid becomes the question. Trezza suggests a simple, permanent pattern of federal, state, and local distribution on a per capita basis (35:236). Frantz also sees the need for a continued floor of support but deplores the inflexibility of federal categoricals which focus on particular programs. He calls for freedom at the state level to transfer allotments from one title to another so funds earmarked for one purpose would not be lost (18:1968).

But freedom of this sort at the state level requires an explicit pattern for state aid. Ralph Blasingame has provided us with a thorough, informative, and perceptive analysis of state aid formulas (15). He identifies the following purposes of state aid formulas:

1. To stimulate local support and perhaps organizational change.
2. To equalize opportunities among localities.
3. To relieve local real estate tax load.
4. To realize benefits through economies of scale.
5. (Often implicit in state plans) To permit established libraries to continue to exist despite erosion of their economic base.
6. To recognize state responsibility for meeting the information needs of people outside of institutions (15:252-253 for 1-6).

In practice, these purposes often conflict with one another. Stimulating local support may require increasing the local tax burden; equalizing opportunities may require reduced funding to established libraries where more funds are being spent for less people; recognizing state responsibility for meeting the information needs of one group may conflict with its ability to meet the needs of another group (15:255-256). State aid formula planners are often under pressure to create a plan with short term acceptability to established libraries and a few key people. This thinking is perpetuated throughout the country: "Almost any plan accepted and implemented in one state tends to become a justification for copying it (or parts of it) in other states" (15:251).

Metropolitan Areas

To understand metropolitan public libraries and their problems, one must understand the special characteristics of metropolitan areas. These areas are defined according to their social, cultural, and economic

integration, not legal boundaries. People within the area travel freely within it to work, shop, and seek recreation, but they live in a set of legally distinct towns and small cities. Consequently, the area is both bound together by economics and technology and torn apart by local special interests (3:42, 35:230).

Eastlick recognizing these characteristics of metropolitan areas offers this definition: "a central city having a population of 300,000 or more, surrounded by incorporated suburbs (thus preventing the core city from annexing land), with a substantial portion of the workforce commuting daily to the central city" (17:207). The U.S. Bureau of the Census is less restrictive when it defines a metropolitan area for statistical purposes. For the purpose of its Standard Metropolitan Statistical Area (SMSA) it requires only a population of just 55,000 in a central city or twin cities within a single county of contiguous counties (except in New England where contiguous cities and towns replace counties) (50:1). In contrast to the density of the core city, the suburbs are typically small or medium sized cities or towns with open land for further residential construction, industrial parks, and large shopping centers (17:207). These contrasts between the central city and the suburbs underlie many of the demographic and economic phenomena characteristic of metropolitan areas.

The American urban population increased by nearly 50% in the years between 1920 and 1970. In 1920, 51.6% of the population was urban and there were 68 cities with populations exceeding 100,000. By 1970, 73% of the population lived in cities and towns and there were 153 cities with populations over 100,000. The increasing population in metropolitan areas has shifted from central city to suburbs, which

contained more people than core cities for the first time in 1970 (4:470).

It's difficult to overestimate the importance of the metropolitan area to the United States. In 1967, America's 228 SMSA's accounted for 65% of the population, at least 3/4ths of the federal personal income tax, 70% of taxable assessed valuation, and 80% of bank checking accounts. They also accounted for most of the nation's poverty, crime and delinquency, and current dissatisfaction and disorder (42:6). The increased population in the core city has been accompanied by a rise in demand for more and increasingly sophisticated public goods and services (4:470, 41:46).

The problems of metropolitan areas have, with good reason, attracted considerable attention. Among the findings of investigative groups are the following:

1. Increased growth in suburbs has sometimes been accompanied by actual rather than just proportional declines in city populations.
2. There's increasing concentration of high fiscal cost citizens in the core cities, reflecting lower incomes, poorer housing and higher unemployment relative to the suburbs.
3. "Municipal overburden" is caused by lower levels of education expenditures and higher levels of non-education expenses. Education, we should remember, is largely subsidized by state government.
4. Per capita taxable resources have grown faster in the suburbs than in the cities, which in some cases have displayed actual declines.
5. In cities, the per capita tax burden relative to personal income is much higher than in the suburbs (42:2-3 for 1-5).
6. People moving to the suburbs have turned their backs on city problems.

7. Metropolitan cooperation is complicated by conflicts between city administration (usually Democratic) and county administration (usually Republican).
8. Community leaders now live in the suburbs and no longer give their time and energy to city problems (23:41 for 6-8).
9. When technological changes made one story factories more economical, businesses flocked to the suburbs to avoid high cost city land and its associated property taxes (3:44).
10. Capital facilities are outdated and equipment is worn out in the cities.
11. Increased services have been mandated for the poor and the old who are disproportionately represented in the cities.
12. Tax restrictions prevent increasing the city tax base.
13. Cities are unable to exceed debt ceilings.
14. Citizen tax rebellions are common in cities.
15. Cities must compete with other governmental agencies for state and local revenue sources (36:3 for 10-15).
16. Growing affluence in the U.S. generates a greater than proportional demand for more, better and more costly government services (39:3).
17. Non-education expenditures (public welfare, health, hospital, public safety, etc.) are about 2/3rds higher in metropolitan areas (42:59).
18. The rising costs of city management are further increased by competition among city government, suburban government, business and industry for skilled persons, as well as inflation and depreciation of the dollar (23:42).

In general, the services mandated by the state or demanded by the city's citizens require more revenue than the core city alone can generate. The

city must bear public assistance and other welfare costs as well as provide mass transportation, fire and police protection, and education; but its tax base has failed to expand correspondingly because industry and high and middle income groups have fled to the suburbs (3:44). In a nutshell: the central city has the problems and the suburbs have the resources, but--due to state laws and political boundaries in most areas--it's impossible to tap areawide resources to meet areawide problems (42:6).

In the 1972 census of governments, the U.S. Bureau of the Census determined that 74 SMSA's included 14,400 local governments or 18.5% of all local governments. These ranged from Honolulu, Hawaii with just four local governments for a population of 685,717 people to Chicago, Illinois with 1,172 localities for a population of 7,002,458 (50:1-4). The physical interdependence of certain functions with such areas (e.g. transportation) would suggest coordinated planning but this planning is frustrated by the multiplicity of local governments, each with special interests. Furthermore, the benefits and cost of separate communities within such areas fail to measure fully the social benefits and costs for the area as a whole due to external economies and diseconomies. Consequently, the city frequently bears the total cost of areawide services because only it has enough at stake to give them active support; the suburbs with less at stake are willing to let the city carry the burden (3:43-45).

A number of solutions to the problems of metropolitan areas have been suggested. The radical solution of creating a new level of government through metropolitan consolidation has not been, and is not likely to be generally accepted (3:48). Failure to move in this direction despite the inefficiency of operating many separate cities has been explained by local vested interest (17:213-214) and suburban unwillingness

to turn over well run communities to core city governments which are frequently corrupt (3:47). Councils of Government (assemblies of elected officials from local political units) have gained authority and power in metropolitan areas because federal government programs such as highway construction are frequently approved by this group (17:219). Special districts for certain services have also been created in an attempt to apply area wide resources to area wide problems.

In 1967, the Advisory Commission on Intergovernmental Relations issued the following fiscal prognosis for metropolitan areas: disparities between central city and suburbia will persist, and the tax plight of the nation's central cities and their overlying local governments will grow (42:88). Recent municipal crises in New York City and elsewhere confirm the prognosis and underline the need for action on all levels of government. The problems of cities are society's problems. Al Trezza states the essential point clearly: "Local governments have been asked to bear, with their limited resources, a disproportionate share of the responsibilities belonging to society as a whole" (35:230).

Libraries, which traditionally have been a function of local government, do not escape the problems of metropolitan areas, but rather mirror them. Generally, the large city library functions as a defacto hub of library service for a metropolitan area. Although the flight to the suburbs nurtures independent local library services, suburban residents continue to rely on the central library. The political complexity of the metropolitan area makes coordination difficult so that, as in other services such as transportation, the city must bear the major burden of support because it generally has the most at stake (9:20).

Taxation

To public libraries taxation issues are critical. Taxes, as assessments on real property, incomes, or special levies, are the major source of support for libraries. They are also a dominant feature of nearly every family budget. The issues explored briefly below are essential to understanding taxation and its relationship to libraries.

1. Regional Patterns

Both the Bureau of the Census and the Advisory Commission on Intergovernmental Relations (ACIR) have noted wide diversity in total revenue from one SMSA to another or from one region to another. ACIR, for example, noted that in 1975 state and local taxes per capita averaged $666, varying from a low of $405 per capita in Arkansas to $1009 in New York (44:3). This commission also suggests that federal tax and spending policies may encourage this diversity, causing a flow of wealth from NE and Midwest regions to the South and West regions of the U.S. (43:1).

To help federal and state policymakers balance the benefits and burdens derived from taxation policies, ACIR has developed a technique for measuring the fiscal pressure of states and regions. This technique recognizes two factors of perceived tax burden:

1. Taxes as a percentage of economic ability. Fiscal pressure is high in New York where this is 16.2% and low in Arkansas where it is 9.1%.
2. Tax trends. If taxes are rising, residents perceive a heavier burden than if they are constant or dropping (43:2).

These two factors are converted into a set of indexes showing the relative positions of each of the states. These indexes confirming the diversity

mentioned above, indicate that the disparities are growing so that 18 states are moving toward the median and 33 are moving away from it (43:12).

Two attitudes with regard to this diversity prevail. One suggests that diversity emerges from regional variations in taste or preference while the other claims it derives from clustering of low income groups or real economic disadvantage (42:1). On the one hand, growing taxes in the NE and Midwest regions will stimulate a call for a new federal aid policy, while on the other hand--despite low and falling burdens in the South--real per capita incomes are lowest there and progress there should not be hindered by a policy more favorable to the NE and Midwest (43:13).

2. Property Tax

Local property tax has long been the primary form of support for libraries. Beasley gives two reasons for this: it is the traditional source of local income and the library profession has encouraged it because of the financial independence associated with a dedicated mill levy (13:21). However, in the last few decades property taxes have soared, multiplying by five between 1946 and 1967 (41:1) and more since. Citizen resistance has grown; and the U.S. Supreme Court has said that, although it is not unconstitutional, the property tax is not an equitable tax and should not be the only means of funding education (35:235).

The property tax has a number of problems:

1. As the population grows older, property ownership becomes less an indicator of wealth.
2. Despite a uniform need for services in a metropolitan area, it produces extremes of wealth and poverty between political subdivisions.
3. Revenue generated through property tax lags behind actual population

growth for which services are needed (13:21 for 1-3).

4. Property tax is regressive, i.e. unrelated to income or the ability to pay (33:64).
5. It is difficult to establish and set appraised value of property (47:57).
6. Politics determines whether market value is fully assessed but mill levy is set low or whether market value is partially assessed but mill levy is set higher (34:273).

The federal government as well as the states have recognized some of these problems and have explored solutions. One ACIR report concludes that the federal system is best served if the states retain primary responsibility for shaping general property tax relief (40:5). The states have responded where tax burdens are heavy (especially in the Great Lakes and Plains regions) with circuit breaker tax protection (45:3) as well as general local aids programs.

3. Tax Progressivity and Regressivity

A progressive tax increases at a rate faster than a proportional increase in the ability to pay; a regressive tax is generally either unrelated to ability to pay or increases only proportionately. A government's tax system can be termed either progressive or regressive depending on whether the set of taxes it employees increases relative to ability to pay or does not. Local tax systems which rely primarily on property tax and fees are regressive. Recognizing the burden this places on low income groups, states are relieving this regressivity by creating a state-local system dependent on sales and income taxes. They credit excessive sales and property tax against state income tax, achieving more progressivity and tying tax revenues more closely to economic growth (20:41). Some states have restructured taxes allowed to localities,

establishing or expanding the use of municipal income tax, sales taxes, and user fees (17:208-210).

4. Tax Elasticity

Tax elasticity refers to the growth of revenue generated by a tax relative to an increase in economic activity. An elasticity of 1.0 indicates that tax revenues grow exactly in proportion to growth in economic ability; an elasticity less than 1.0 would mean that tax revenues fail to keep pace with the economy. Although the importance of this concept is usually ignored by the literature, ACIR has given it a thorough treatment. The Commission report stresses the income elasticities of various taxes and explores the relationship of state expenditure and revenue elasticities. Whereas the federal government's expenditure and revenue elasticities (relative to GNP) are about the same, states have an expenditure elasticity of 1.7 and an income elasticity of .9 or 1.0 (39:47). This creates a gap between revenue and expenditure that puts the states in a situation of perpetual crisis. The Commission suggests that even with rigorous expenditure control, the only real solution lies with the adoption of measures that raise the GNP elasticity of state revenue systems , such as increased use of the income tax (39:47). However, the elasticity of income tax does have some dangers due to its potential for collapse during economic recession, but total collaspse is remote due to stabilizing factors such as deposit insurance, unemployment compensation and social security (39:106).

5. Special Library Tax or Appropriation

The library community is divided with regard to its preference for dedicated, but fixed tax for library support or funding by appropriation:

1. The fixed tax rate may need supplemental appropriation if the

revenue it generates is too low.

2. The fixed tax rate is inflexible, requiring politically charged reassessment to provide an increase.
3. Supplementary funding is difficult in a special district since appropriations must come from many government sources (9:217-218 for 1-3).
4. Maximum or fixed rates cause problems as libraries grow to meet community needs.
5. Except in areas currently receiving high levels of support from special taxes, appropriations would probably provide as much support and increase the library's integration into other community services (53:175-176 for 4-5).

CONCLUSION

It would be inappropriate to draw specific conclusions from a review of this sort. It is possible, however, to conclude that problems in financing public libraries are not isolated phenomena but are closely related to patterns of political and fiscal relationships. The tangle of these relationships is obscured by a cloud of unresolved and perhaps, unresolvable issues:

1. Historical patterns of federal and state aid to libraries.
2. Financial insignificance of libraries.
3. Library role ambiguity, aggravated by administrative and organizational underdevelopment.
4. Changing expectations for governmental action in the private sector.
5. Proper allocation of fiscal responsibility among federal-state-local levels, without removing local rights to decision making.
6. Regional tax burdens and public goods disparities between regions.
7. Taxation systems: progressive, regressive, GNP elasticity.
8. Urban and suburban social, economic, legal, and political conflict.

These are not merely economic issues, nor are they just political, organizational, technical, or social issues. They are all of these and more. They are historical, legal, and--for the 20% of American non-agricultural labor that works in the public sector--personal issues.

To come to terms with these issues, the library manager, trustee or interested professional should ask himself/herself some of the following questions:

1. Do interstate disparities in the provision of library services represent "irreconciliable conflict", and therefore require a national program of library and information service?

2. To what population groups do state library aid benefits accrue and is that distribution consistent with state goals?
3. What has been the impact of federal revenue sharing or state local aids programs on cross jurisdictional library projects?
4. Do the benefits of basic library programs and of cooperative library programs accrue to the same population groups?
5. Evidence suggests that library use increases with increases in income and education, while libraries are typically funded by "regressive" tax systems based on local property taxes. Do the poor subsidize libraries for the rich?

The answers to these questions and to others like them will help define the financing objectives of public libraries in the 1980's and beyond. It is not too soon to begin formulating these objectives nor--whatever the crys of the doomsayers--is it too late.

Selected Bibliography

The works cited in this bibliography represent only the most relevant titles bearing simultaneously on public library finance, the fiscal status of metropolitan areas in the United States, and factors influencing the generation of revenue for U.S. governmental institutions. All titles in the bibliography have been examined except the few citations listed under "Relevant but not Reviewed".

To facilitate future research, the bibliography is in four sections:

a. Books

b. Articles

c. United States Government Documents

d. Library Science Dissertations

Works are arranged alphabetically within each section. Annotations are included where important.

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